FUTURE OF HUNTER PROFESSIONAL SERVICES

THE PROJECT
The Future of Hunter Professional Services project was conducted as part of the Hunter Research Foundation’s (HRF) Regional Competitiveness research program, to seek insights into creating high-value jobs that will drive the Hunter’s future economic growth.

As the Region continues to navigate from a manufacturing base, dependent on heavy industries, to a more diversified industry base, the Hunter’s professional services sector is lagging NSW and Australia in the share of employment it generates and the value it adds to the regional economy. The sector includes financial, legal, technical and real-estate services.

As technology opens global markets and increases international competition, the challenge is to identify ways to improve the value added by this important sector, and enable it to be globally competitive.

The objective of the current project was to look at the dynamics, opportunities and constraints for boosting the value of professional services in the Hunter, with a focus on identifying enabling strategies that can be utilised by companies based in the Region to support stronger industry growth and remain globally competitive.

STAGE 1
We reviewed the local professional services industry, researched local, national and global trends, and conducted a roundtable discussion with industry representatives (HRF’s Research Ambassadors) to identify key themes to be explored in more depth.

PUTTING IT IN CONTEXT
The professional services sector has been a growing employer across the Hunter, NSW and Australia. However the Hunter has not experienced the same level of growth as elsewhere. Currently the professional services sector employs around one-in-eleven Hunter workers, compared to one-in-six for the State and one-in-seven for the nation. Professional services’ share of employment is larger in the Newcastle-Lake Macquarie area (one-in-ten people) than in the rest of the Hunter. While this employment share has fallen across the Hunter since 2011, it has risen slightly across NSW and Australia.

“Compliance has been one of the biggest handbrakes on us. The amount of paperwork we need to complete has increased dramatically.”

“Professional services is all about selling time and expertise.”

PEOPLE EMPLOYED IN PROFESSIONAL SERVICES

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SOURCE: ABS
GLOBAL TRENDS

Key trends affecting the competitiveness of professional services in the Hunter:

- Falling trade barriers providing opportunities and threats
- Technological development, with advances in internet connectivity opening up new markets and business resources
- Population ageing, both domestically and globally, increasing demand for services while simultaneously reducing potential workforce
- Greater emphasis on cost efficiencies and value-for-money by public and private procurers of services.

GLOBAL OPPORTUNITIES

To remain globally competitive, business advocates believe the professional services sector will need to look towards new markets. Export opportunities have risen over time due to technological advancement and falling trade barriers, which have also raised the threat of foreign competition.

These opportunities have been boosted by the free trade agreements (FTAs) recently signed between Australia and major trading partners China, Japan and South Korea. These FTAs are likely to have a larger impact on less trade-exposed industries such as professional services where trade barriers remain relatively high. Australian mining and manufacturing output, for example, are both around seven times more internationally traded than professional services. Within the professional services industry, HR and Property services are least exposed to international trade, while Professional, Scientific and Technical services are most exposed.

SHAPING HUNTER BUSINESS

Issues identified by Research Ambassadors as shaping the future of business in the Hunter:

- Increasing importance of collaboration to take advantage of opportunities within and outside the Region
- Impact of advances in technology and the ability to take advantage of the opportunities, such as cost-effective outsourcing of low-value work and the opening up of new consumer markets; and dealing with its challenges, such as the threat from foreign competition and the need to invest in understanding how to make best use of information and communications platforms and technologies (such as cloud computing)
- Challenge in attracting and retaining talent in the Region
- Need for cultural change within businesses to deal with the challenges and opportunities of disruptive innovation, rapid technological change, and an increasingly globalised economy.

“Margins are being smashed everywhere.”

“Some people have tried [collaboration], they probably find it too hard to maintain. I think the industry is not great at it.”

INTERNATIONAL TRADABILITY OF GOODS & SERVICES*

![Graph showing international tradability of goods & services](chart.png)

* Measured as the sum of imports and exports as a percentage of each industry’s output

SOURCE: ABS
STAGE 2
We undertook one-on-one discussions with 11 Hunter-based professional services firms to obtain a deeper understanding of their challenges and to explore possible enablers aimed at developing strategies to increase the competitiveness of local firms. Participating firms talked to us in depth about their business, its products, markets, networks and staffing; changes and challenges over the last five years; development of new or improved processes, services or products (innovations); and suggestions for regional initiatives to support the growth and competitiveness of the Hunter professional services industry.

MARKETS
The firms we spoke to had their focus predominantly on the Hunter Region and Australia. A significantly large proportion of their clients were Hunter-based with smaller proportions elsewhere in NSW and nationally. Emphasis was placed on relationships and face-to-face contact with clients. Exporting of professional services was a relatively low priority for firms. While approximately half of the firms already do work for overseas-based clients, it is generally limited to referrals or working for previous clients, and firms are not actively marketing for work outside of Australia. Competitors were also mainly Hunter or nationally based with minimal competition from multinationals unless they have an Australian office.

Firms believed that FTA’s would have minimal and indirect impacts on their business, limited to possible work with clients who are able to utilise FTA’s to expand their businesses or investment interests.

CHALLENGES
• Staffing or cultural challenges: firms identified difficulties in acquiring and retaining staff in the Region, especially senior experienced staff; creating or maintaining their organisational culture by employing staff with the right attitude; and changing needs in terms of skills mix including the ability of staff to effectively communicate face-to-face with clients
• Meeting changing client needs and adding value: reacting to, or anticipating, constantly changing client needs; ensuring the firm is able to continually add value for new or existing clients in the face of these changing needs
• Keeping up to date with technology: costs and access to resources to update old systems; having sufficient bandwidth, internet access and datalinks to meet customer expectations and remain competitive
• Keeping costs and prices low: necessary due to the state of the economy and increased competition
• Meeting current and changing regulation and compliance requirements: on going changes placing significant costs and pressures on local firms.

“I think it’s time we let some of these big firms know that we are quite competent here and you don’t have to go to Sydney.”

“Talk is great, but action and accountability are the things that are actually going to drive change.”

FUTURE OF HUNTER PROFESSIONAL SERVICES
OPPORTUNITIES FOR THE FUTURE

• **Increased networking through industry bodies and business chambers:** with better representation of professional services with, and by, business organisations such as Hunter Business Chamber; united representation of professional services industry and/or regional representation

• **Improved infrastructure:** including transportation links, telecommunications and accommodation to help support professional services firms directly, as well as indirectly by supporting other industries

• **Coordinated regional promotion of Hunter-based professional services firms:** to improve the perception of the capabilities and availability of local firms; collaboration between governments, industry groups and firms to market local firms and the Region as a viable alternative to capital cities

• **Greater collaboration and coordination:** between and within industries, across levels of government and including research organisations and The University of Newcastle to better achieve shared goals and objectives for the Region

• **Transition away from mining and manufacturing:** with support, and a clear plan, from all levels of government to help the local economy transition towards the Hunter’s growing knowledge-based economy.

ENABLING STRATEGIES

**Strategies supported by the project findings for individual businesses, and to boost the growth and competitiveness of the Hunter professional services industry:**

• **Invest in skills, education and training** to improve regional secondary and tertiary-level qualifications rates, with employers willing to invest in employees to develop and retain experienced, skilled staff within a positive organisational culture.

• **Strengthen domestic and international professional networks** broader than the Hunter to develop globally-connected suppliers, contractors and clients.

• **Invest in information and communication technology** to achieve more efficient, timely processes, meet changing client needs and reach new non-local markets.

HRF would like to thank our collaborators, through our Research Ambassadors, project sponsors NSW Department of Industry, AECOM and The University of Newcastle, and the Hunter professional services firms who generously took part in the research.

PROJECT PARTNERS